



*State of California*  
***Employment Training Panel***

*Arnold Schwarzenegger, Governor*

December 14, 2009

Mark Ferry, Controller  
J & R Film Company, Inc., d.b.a. Moviola Education Center  
1135 North Mansfield Avenue  
Hollywood, CA 90038

Dear Mr. Ferry:

Enclosed is our final report relative to our review of J & R Film Company d.b.a. Moviola Education Center's compliance with the Employment Training Panel Agreement No. ET05-0240 for the period January 21, 2005 through January 20, 2007.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

*Original signed by:*

Stephen Runkle  
Audit Manager

Enclosures

**J & R FILM COMPANY, INC., d.b.a.  
MOVIOLA EDUCATION CENTER**

Agreement No. ET05-0240

Final Review Report

For The Period

January 21, 2005 through January 20, 2007

Report Published December 14, 2009

Stephen Runkle, Audit Manager  
Telephone: (916) 327-4758

Audit Staff: Shannon Brooks

Employment Training Panel  
Audit Unit  
1100 J Street FL 4  
Sacramento, CA 95814-2827

---

# TABLE OF CONTENTS

---

	<u>Page Number</u>
REVIEW REPORT	
Summary	1
Background	2
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials	3
Appeal Rights	3
Records	3
SCHEDULE 1 - Summary of Review Results	4
FINDINGS AND RECOMMENDATIONS	5
 <u>ATTACHMENTS</u>	
ATTACHMENT A - Appeal Process	
ATTACHMENT B - Table of Disallowed Trainees	

---

# REVIEW REPORT

---

## Summary

We reviewed J & R Film Company, Inc., d.b.a. Moviola Education Center's compliance with Agreement No. ET05-0240, for the period January 21, 2005 through January 20, 2007. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period August 21, 2008 through December 9, 2008.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$516,855. The balance of \$8,211 is disallowed and must be returned to ETP. The disallowed costs resulted from three ineligible trainees, one trainee who did not meet post-training retention requirements, and one trainee who did not meet the minimum wage requirement.

---

## REVIEW REPORT (continued)

---

### Background

J & R Film Company, Inc., d.b.a. Moviola Education Center (Moviola) opened in September 1998 after the Screen Actors Guild and the Directors Guild of America issued a joint report that detailed rapid changes in technology within the entertainment production industry.

This Agreement was the third between Moviola and ETP. As the entertainment industry continues to move toward computer-based systems, current technology training is not only crucial for film-industry workers to remain employed, but also to help film-industry employers remain a stable factor in California's turbulent economy. Based on interviews and training need assessments, Moviola has determined that workers need to be trained in the most current versions of digital software and hardware. Therefore, this Agreement provided for training in non-linear editing platforms, compositing programs; Digital Versatile Disc production, motion graphics for video, film, corporate video and multimedia, as well as Photoshop for film and video environment, and animated, interactive web page design.

This Agreement allowed Moviola to receive a maximum reimbursement of \$545,669 for retraining 479 employees. During the Agreement term, the Contractor placed 464 trainees and was reimbursed \$516,855 by ETP.

### Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

---

## REVIEW REPORT (continued)

---

Conclusion	As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$508,644 of the \$516,855 paid to the Contractor under this Agreement is allowable. The balance of \$8,211 is disallowed and must be returned to ETP.
Views of Responsible Officials	<p>The review findings were discussed with Mark Ferry, Controller, by telephone on December 9, 2008 and December 8, 2009. Mr. Ferry agreed to bypass a draft report and proceed directly to the final review report.</p> <p>The issuance of your final audit report had been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning December 10, 2008 through the issue date of this final audit report. The interest waiver (adjustment) was \$497.39, which was deducted from the total accrued interest.</p>
Appeal Rights	If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).
Records	Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle  
Audit Manager

Fieldwork Completion Date: December 9, 2008

---

## SCHEDULE 1 – Summary of Review Results

---

J & R FILM COMPANY, INC., d.b.a. MOVIOLA EDUCATION CENTER

AGREEMENT NO. ET05-0240

FOR THE PERIOD

JANUARY 21, 2005 THROUGH JANUARY 20, 2007

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 516,855</u>	
Costs Disallowed:		
Ineligible Trainees	5,132	Finding No. 1
Post-Training Retention Requirement Not Met	2,053	Finding No. 2
Minimum Wage Requirement Not Met	<u>1,026</u>	Finding No. 3
Total Costs Disallowed	<u>\$ 8,211</u>	
Training Costs Allowed	<u><u>\$ 508,644</u></u>	

\* See Findings and Recommendations Section.

## FINDINGS AND RECOMMENDATIONS

**FINDING NO. 1 – Ineligible Trainees** J & R Film Company d.b.a. Moviola Education Center (Moviola) was reimbursed by ETP for training provided to one Job No. 2 trainee and two Job No. 3 trainees who were not eligible to receive ETP funded training. Therefore, we disallowed \$5,132 in training costs claimed for these trainees.

Unemployment Insurance Code, Section 10205 (d) states that the ETP shall: “Fund projects that best meet the priorities identified annually...” Based on that authority, on February 24, 2000, the Panel placed a continuing moratorium on funding for any or all of a training agency’s own employees. This moratorium applies to all training agencies doing business directly or indirectly with ETP.

Moviola contracted with ETP as a training agency. The funding of training for employees of training agencies has been prohibited by the Panel. Furthermore, during the term of the Agreement, Moviola submitted an online Certification Statement to determine the eligibility of J & R Film Company, Inc. ETP approved the Certification Statement for J & R Film Company, Inc. with the stipulation that only employees of the company’s rental and sales department were eligible to have their training costs reimbursed by ETP. Employees who worked in other departments, including the Education Center, were specifically excluded. However, employment information provided by Moviola indicated that Trainee Nos. 2, 3, and 5 were employed by the Education Center. Thus, these trainees were ineligible for ETP training. The table below shows their job number, retention period and occupation.

Trainee No.	Job No.	Retention Period	Job Occupation
2	3	08/13/05 - 11/11/05	Education Front Desk
3	3	07/28/06 - 10/06/06	Education Coordinator
5	2	09/29/06 - 12/28/06	Education Operation Manager

**Recommendation** Moviola must return \$5,353 to ETP. In the future, Moviola should ensure that only the training costs for trainees eligible to receive ETP funded training are submitted for reimbursement.



---

## FINDINGS AND RECOMMENDATIONS (continued)

---

**FINDING NO. 2 –**      Moviola received reimbursement for the training costs of one Job  
Post-Training      No. 3 trainee who did not meet post-training retention requirements.  
Retention      Therefore, we disallowed \$2,053 in training costs claimed for this  
Requirement Not      trainee.  
Met

Exhibit A, paragraph VII. A. of the Agreement between Moviola and ETP states, "Each trainee must be employed full-time, at least 35 hours per week, with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training."

Moviola reported that Trainee No. 1 completed a post-training retention period from January 7, 2006, through April 6, 2006. However, employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 1 terminated employment on January 21, 2006. Thus, Trainee No. 1 was retained for only 14 days of the 90 days required by the Agreement. The employer did report that Trainee No. 1 voluntarily terminated employment. However, Employment Development Department (EDD) base wage information does not support any subsequent employment in California within the term of the Agreement.

**Recommendation**      Moviola must return \$2,053 to ETP. In the future, the Contractor should ensure trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

---

## FINDINGS AND RECOMMENDATIONS (continued)

---

**FINDING NO. 3 –** Moviola received reimbursement for the training costs of one Job Minimum Wage Requirement Not Met No. 2 trainee who did not meet the minimum wage requirement specified in the Agreement. Therefore, we disallowed \$1,026 in training costs for this trainee.

Exhibit A, paragraph VII. A. of the Agreement between Moviola and ETP states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

The Agreement required a minimum hourly wage rate of \$12.50 per hour in Los Angeles County for Job No. 2 following the post-training retention period. Employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 4 earned an hourly wage of \$10.00 following retention. Thus, Trainee No. 4 failed to meet the minimum wage requirements as specified in the Agreement. The terms of the Agreement for Job No. 1 did not allow for the addition of employer paid health benefits to meet the minimum wage requirement. Furthermore, the employer did not report that Trainee No. 2 received any such benefits in addition to the hourly wage indicated above.

**Recommendation** Moviola must return \$1,026 to ETP. In the future, the Contractor should ensure trainees meet the minimum wage rate requirements prior to claiming reimbursement from ETP.

*This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET05-0240 and should not be used for any other purpose.*

# ATTACHMENT A - Appeal Process

---

## 4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
  - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
  - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
    - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
      - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
      - (2) Conduct a hearing on a regularly-scheduled meeting date; or
      - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
    - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
    - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

**Amended: December 30, 2006**